

2006 STIP Programming Discussion Paper (Draft)
Plan for the Best, Prepare for the Worst

“California’s transportation program is in crisis and on the verge of collapse.”

- 2004 Annual Report to the California Legislature, California Transportation Commission, December 9, 2004

The above quote plainly describes the situation before us today. Neither the state nor federal gas tax has increased in over fifteen years, while the effects of inflation have eroded its purchasing power. Today, departmental operations, local subventions, and the SHOPP currently consume most of this fund source. Funding for the STIP is increasingly dependent upon sales tax revenues. Of the \$5.4 billion programmed in the 2004 STIP, about \$4.0 billion (75%) was scheduled to come from sales tax revenues - \$3.3 billion from Proposition 42 transfers (including payback of past loans) and \$0.7 billion to the PTA. With only 25% of the STIP now funded with fuel tax revenues, the implications are clear.

2006 STIP Fund Estimate Issues

- Fund Estimate still scheduled for August 2005. No delay being discussed.
- Revenue assumptions are the biggest question.
- Proposition 42 funds, since approved, have always been transferred in the General Fund.
- Proposition 42 funds are again proposed for transfer to General Fund in FY 2005/06.
- Gaming bonds, intended to account for past transfers - in legal limbo.
- Declining value of the state/federal gas tax and future funding level of the SHOPP.
- Discussion now centering about a two tiered Fund Estimate with two tiered RTIP/ITIP.

Two hypothetical funding tiers are outlined below. While neither may come to pass, they serve well for discussion and priority planning into the next few months.

Future Outlook - Possible Tier 1

The continued diversion of Proposition 42 funds to the General Fund cause the CTC to assume that none of these revenues will be available within the 2006 STIP programming period. The result is that about \$3.6 billion dollars, roughly half of the funding for the STIP, is lost.

What needs to Happen?

- Prepare for the worst. Cull and prioritize projects to within half of existing funding.
- Review current delivery plans, revise schedules and costs consistent with COS resources and current conditions.
- New programming. Extremely difficult to add new projects to the STIP (except TE).
- Support only work. Policy Issue: We could easily abandon all support only in favor of fully funded work, but is this shortsighted? Need to identify funding strategies for any (new or existing) support only projects.

Future Outlook - Possible Tier 2

Some of the proposition 42 funds make their way into the STIP. There will be just enough programming capacity to fund the unallocated remainder of the 2004 STIP, maybe a little more.

What needs to happen?

- Plan for the Best. If there is some funding, we may be looking for some PSR's.
- Or; Policy issue: Commitment to ongoing programmed projects....
- Much like the 2004 STIP cycle, most projects will simply be deferred into the future where funding is anticipated.
- Review current delivery plans, revise schedules and costs consistent with COS resources and current conditions.